

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose
SPONSOR: San Diego County

BILL NUMBER: SB 1250
AUTHOR: D. Ducheny

BILL SUMMARY: Taxation: Military Housing

Existing law provides a possessory interest exemption for a private contractor's interest in rental military family housing, by stating that the contractor's interest in the property is not "independent" when certain criteria are met. Thus, if qualified, these interests will not be deemed to be a taxable possessory interest.

This bill would, retroactive to January 1, 2005, expand the property tax exemption on possessory interests available to private contractors that operate military family housing projects to those that operate housing projects for single, unaccompanied, or married service members without dependents.

FISCAL SUMMARY

Provisions of this bill requiring affected county assessors to apply the property tax exemption retroactively could give rise to claims of state mandate being filed with the Commission on State Mandates (COSM). Should a claim be sustained by COSM, a presently unquantifiable state General Fund impact would result.

We note that this proposed legislation is sponsored by the County of San Diego, but that the county Board of Supervisors has not passed a resolution formally requesting the legislation, thereby mitigating the state's exposure to a claim of mandate.

Finance concurs with Board of Equalization estimates that this bill would result in local property tax losses of \$2.1 million annually, retroactive to January 1, 2005, and would result in some K-14 school districts receiving reduced property tax revenues. Approximately 37 percent of the revenue loss would be to schools. This would likely require the state to backfill those revenues using General Fund unless the Proposition 98 guarantee was always determined by Test 1. While under current estimates the guarantee is likely to be determined by Test 1 for several years, this could change if General Fund revenues change significantly from current projections.

COMMENTS

Finance opposes this bill for the following reasons:

- This bill could result in a claim of state mandate being filed with the COSM. Should the claim be sustained, a presently unquantifiable state General Fund impact would result.
- This bill would result in some K-14 school districts receiving lower property tax revenues. The Proposition 98 impact of this reduction is currently projected to be nothing in the next year or two due to Test 1. In subsequent years, however, it could be significant.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL NUMBER

SB 1250

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP							Fund
Type		RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
L150/Loc Rev Prop		RV	No	U	-\$2,100	U	-\$2,100	U	-\$2,100	0986
0001/Major Rev		SO	Yes		-----	See Fiscal Summary	-----			0001
<u>Fund Code</u>	<u>Title</u>									
0001	General Fund									
0986	Local Property Tax Revenues									